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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 001188

SIPDIS

STATE FOR EAP/MTS  
USPACOM ALSO FOR FPA  
SECDEF/OSD/ISA/AP FOR TOLAN

E.O. 12958: DECL: 05/18/2018  
TAGS: [MARR](#) [MOPS](#) [PINS](#) [PREL](#) [PTER](#) [RP](#)  
SUBJECT: SCENESETTER FOR ADMIRAL CROWDER'S VISIT TO THE  
PHILIPPINES

Classified By: Ambassador Kristie A. Kenney; reason 1.4 (b) and (d)

11. (SBU) SUMMARY: Admiral, welcome back to the Philippines! President Arroyo maintains her strong political position, in part due to robust economic growth. The Philippine armed forces continue to score successes against terrorists in the southern Philippines, while supporting the Philippine government's efforts to make peace with Muslim insurgents. Philippine Defense Secretary Teodoro has taken active control of defense reform, with positive results. On May 12, 2008 General Alexander Yano became the 38th Chief of Staff of the Philippine Armed Services, replacing General Hermogenes Esperon. During your visit you will meet General Yano, the Philippine Navy Flag Officer in Command ADM Rogelio Calunsag, and other civilian and military leaders. I look forward to the reception aboard the USS BLUE RIDGE May 22, and a wonderful evening with a number of invited Philippine government officials and guests. END SUMMARY.

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MILITARY ENGAGEMENT  
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12. (C) The arrival of the Blue Ridge has been eagerly anticipated by the Philippine Navy. As you know, the total number of ships has significantly increased -- from 56 in 2006 to 81 in 2007 -- and we anticipate in excess of 100 ship visits this year. The 7th Fleet will conduct staff talks with their Philippine Navy counterparts, which will be held on USS BLUE RIDGE upon her arrival. The talks appear to have garnered full support of the Philippine military and we will continue our planning efforts to ensure success of this meaningful event.

13. (C) We are also looking forward to the return visit of the USNS MERCY to the Philippines from May 29 to June 17. The Mission continues to be actively engaged with various Philippine ministries, provincial officials, and local leaders to ensure a successful and productive visit. Our recent travel to Mindanao is just one way we have pro-actively engaged local leaders as a way of gaining their support for the USNS MERCY visit. We will have the opening ceremony in Mindanao May 30, closing ceremony in Samar Province June 14, and will complete her visit to the Philippines with a pier side reception in Manila June 16, accompanied by community relations events.

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PHILIPPINE POLITICS  
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14. (SBU) Philippine politics remains unsettled, with President Gloria Arroyo's administration having weathered several charges of corruption. She retains a firm grip on the House of Representatives, where she orchestrated the removal of the former Speaker of the House in favor of another political ally, and can still count on the support of a large majority of provincial governors and local mayors. Her relationship with top security officials also remains strong, as evidenced by their recent reminders to military and police personnel to stay out of political debates and stay focused on their security roles. Moreover, the public may be suffering from scandal fatigue, as there has not been strong mass support for regime change in the vein of the "people power" movements of the past.

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ECONOMICS AND TRADE  
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15. (C) A bright spot remains the continued growth of the Philippine economy, which grew over 7 percent in 2007, the strongest expansion in three decades. Unemployment and inflation are down, and government revenues are up, even in the face of rising fuel prices, continued corruption allegations, terrorist bombings, and political tumult. President Arroyo has an impressive reform agenda -- privatize the electric sector, build infrastructure, increase education funding, and reduce business red tape -- but still faces significant hurdles, particularly in improving the investment climate. There is also considerable concern over the impact

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of a slowdown in U.S. economic growth, as the U.S. remains the Philippines' largest trading partner, with over \$17.3 billion in two-way merchandise trade, and largest investor, with \$6.6 billion in equity.

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MINDANAO: SECURITY AND THE PEACE PROCESS  
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16. (C) Military and law enforcement forces continue to achieve important successes in the counterterrorism efforts, which the government said have resulted in the death or capture of eight key terrorist leaders and over 200 other terrorism suspects since August 2006, including the deaths of Abu Sayyaf Group leaders Khadaffy Janjalani and Abu Solaiman. Recently, Philippine Forces mounted a surgical strike against a known terrorist camp in Jolo that had served as a safe haven for Abu Sayaff Group and Jemaah Islamiyah (JI) members for almost two years. Philippine forces also scored a confirmed hit against JI when they arrested the bomb maker Latif in Mindanao in February.

17. (SBU) The government continues its efforts to work out a comprehensive peace agreement with the insurgent Moro Islamic Liberation Front (MILF), even as it seeks to fully implement its 1996 deal with the Moro National Liberation Front (MNLF). While progress on both tracks is fitful, a peace deal this year with the MILF still appears a possibility, though difficult negotiations on governance and revenue sharing remain. It is clear from our discussions with both government and insurgent leaders that all sides recognize the importance of an enduring peace for the long-term prosperity of Mindanao. At President Arroyo's suggestion, I met with MILF Chairman Murad in February at his headquarters outside Cotabato and emphasized our support for the peace process. President Arroyo just announced that former Chief of Staff General Esperon will become the new cabinet-level secretary responsible for peace processes with both Muslim insurgents and with the Communist New People's Army.

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PHILIPPINE DEFENSE REFORM  
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18. (C) In an encouraging sign of deepening support for the ongoing armed forces overhaul, Secretary of National Defense Gilberto Teodoro took personal control of Philippine Defense Reform last November, and the Philippine government plans to spend about USD 100 million annually through 2012 to fund defense reform initiatives. To date, the Philippines has spent over \$400 million on defense reform, including \$28 million to match U.S. foreign military financing. Teodoro is personally involved in the process down to the working level, and is currently putting his own personnel into key positions of authority.

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UNLAWFUL/EXTRAJUDICIAL KILLINGS  
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19. (C) Extrajudicial killings remain one of the thorniest issues for the Arroyo administration, with critics charging that rogue elements of the Philippine police and military are responsible for the killings. President Arroyo has spoken out consistently and strongly on the issue, including during the State of the Union address, and has taken a variety of steps to address the problem, such as the creation of -- or strengthening of existing -- government task forces and commissions. During his swearing-in ceremony, newly appointed Philippine military Chief of Staff General Alexander Yano unambiguously stated his commitment to upholding the rule of law, "even in the face of the fiercest battles." By the end of 2007, these steps, as well as intensified domestic and international attention to the problem, appeared to have had a measurable impact, with government agencies and human rights NGOs reporting a significant decline in the number of extrajudicial killings during the year. The Embassy carefully vets all proposed military and law enforcement personnel about to receive U.S.-funded training both internally and with relevant Philippine authorities to comply with the terms of the Leahy

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Amendments. The Mission is currently working with Department of Justice officials regarding prosecutorial assistance to ensure perpetrators are brought to justice.

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